

All Tennessee Water Utilities 2002 Sales and Use Tax Rate Change

Sales & Use tax notice

Chapter 856, Public Acts of 2002 increases the general state sales and use tax rate on the sale, use or lease of tangible personal property and taxable services by 1% to a new state rate of 7%. This does not apply to items of food and food ingredients, as defined in the bill, which remain at the six percent 6% state rate. The increase in the state rate allows the combined state and local sales and use tax rate to reach a maximum of 9.75%.

The effective date of the new rate is July 15, 2002, and is applicable to all persons exercising a taxable privilege in Tennessee as defined in Tenn. Code Ann. Section 67-6-201. For the period beginning July 1, 2002, persons filing sales and use tax returns will remit payment at the current 6% rate for July 1 – July 14, 2002, the new 7% rate for July 15 – July 31, 2002, and the 6% rate on food for the entire month. The first return reflecting the new tax rate will be due on August 20, 2002.

All residential water utility accounts that are metered and billed before July 15, 2002, will be taxed at the 6% state rate, plus the appropriate local option rate, for the entire billing period. All accounts that are metered and billed on or after July 15, 2002, will be taxed at the new 7% state rate, plus the appropriate local option rate, for the entire billing period.

In addition, on July 15, 2002, the tax rate on items of tangible personal

property that are not sold, but are used, consumed, distributed, or stored for either use or consumption in Tennessee is likewise increased to 7% plus the appropriate local tax rate.

Also effective July 15, 2002, a state sales or use tax of 2.75% is levied on the amount in excess of \$1,600, but less than or equal to \$3,200, on the sale or use of any single article of personal property as defined in Tenn. Code Ann. Section 67-6-702(d). The first \$1,600 of the sales price will continue to be taxed at the appropriate local rate. The amount from \$1,601 to \$3,200 will be taxed at a uniform rate of 2.75%. The single-article cap only applies to the sale of tangible personal property and does not apply to the sale of services.

Have questions or comments? Please let us know. [Contact us.](#)

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